

CITY COUNCIL OF THE CITY OF SAN JOSÉ

**POA Arbitration
Debra Figone**

Looking Back: A Decade of Budget Shortfalls

- A decade of General Fund budget shortfalls (2002-2003 through 2011-2012) driven by two deep recessions and unsustainable cost structure
- Combination of strategies used to address shortfalls
- Severe service reductions in both public safety and non-public safety areas were unavoidable

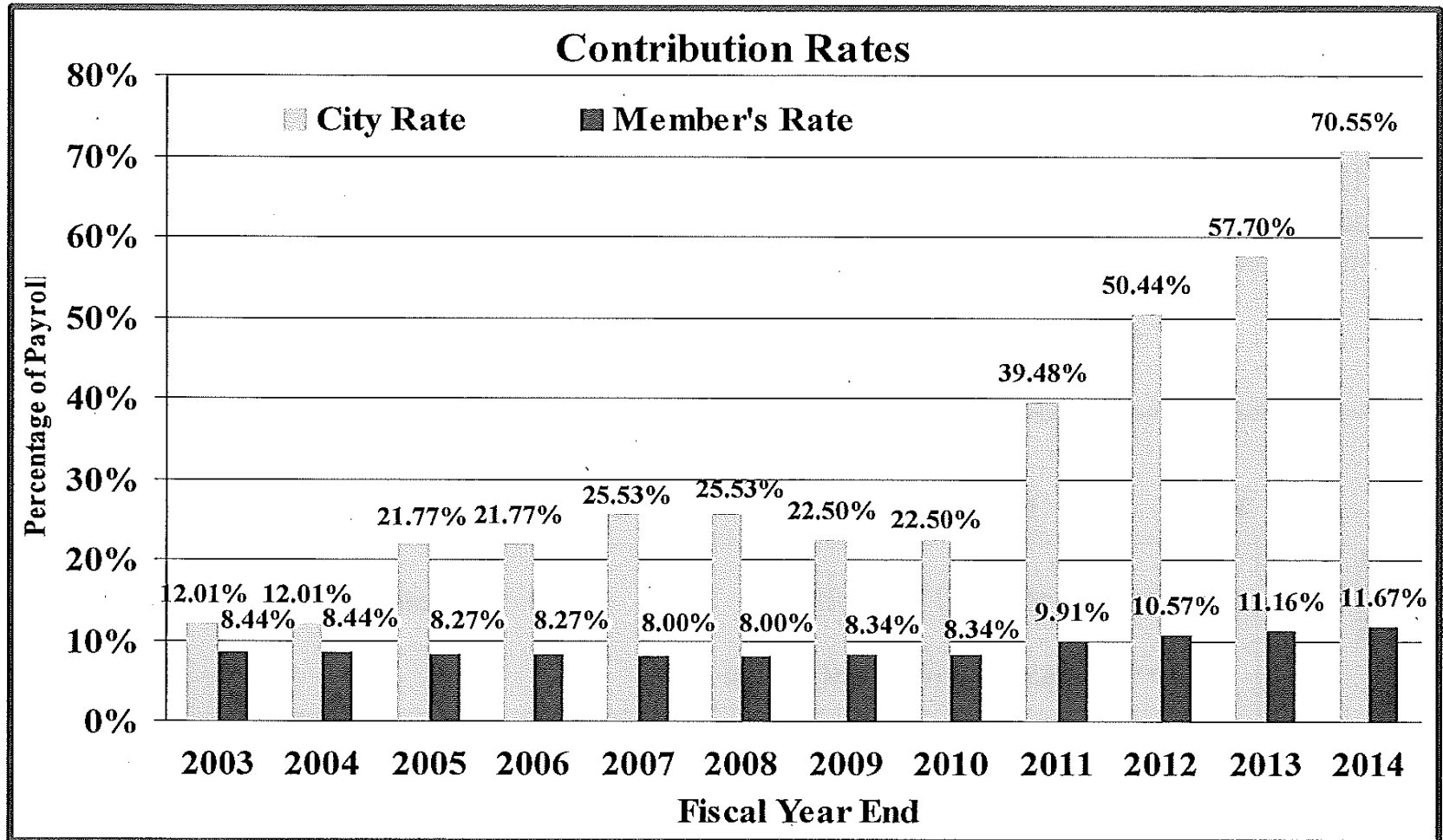
\$670 Million in Cumulative General Fund Shortfalls Balanced through 2012-2013

	Total General Fund Shortfall	City-Wide Position Changes (All Funds)	City-Wide Positions (All Funds)
2002-2003	(\$ 46.3 M)	(36)	7,445
2003-2004	(\$ 92.1M)*	(205)	7,240
2004-2005	(\$ 81.7M)*	(426)	6,814
2005-2006	(\$ 58.0 M)	(115)	6,699
2006-2007	(\$ 34.9 M)	171	6,870
2007-2008	(\$ 19.9 M)	149	7,019
2008-2009	(\$ 29.6 M)	(7)	7,012
2009-2010	(\$ 84.2 M)	(362)	6,650
2010-2011	(\$118.5 M)	(783)	5,867
2011-2012	(\$115.2 M)	(440)	5,427
2012-2013	\$ 10.4 M	95	5,522
SUBTOTAL	(\$670.0 M)	(1,959)	
2013-2014	(\$ 3.8 M)	129	5,651
TOTAL	(\$ 673.8 M)	(1,830)	

* Includes State impact of \$10.8 million in 2003-04 and \$11.4 million in 2004-05

Cheiron- June 30, 2012 Valuation

Employer and Member Contribution Rates for FYE 2003 - 2014



A Combination of Strategies and Solutions Used to Address General Fund Shortfalls

- Extensive Community Engagement (2007 and ongoing)
 - Several Stakeholder Groups
(e.g., Budget Shortfall Advisory Group, General Fund Structural Deficit Elimination Plan Stakeholder Groups, Program Prioritization)
 - Annual Budget Surveys
 - Annual Neighborhood Association/Youth Commission Priority Setting Sessions
 - Senior Staff/City Council Budget Priority Setting Sessions
 - Annual Community Budget Meetings in Each Council District
- General Fund Structural Deficit Elimination Plan (2008)
- Fiscal Reform Plan (2011)

A Combination of Strategies and Solutions Used to Address General Fund Shortfalls

- **Cost Saving Strategies:** total employee compensation reductions; outsourcing; new service delivery models; efficiencies; departmental consolidations
- **Revenue Strategies:** four revenue-related ballot measures approved by voters; fees for service; transfers from other funds
- **Service Reductions/Eliminations**

Budget Balancing:

Cost-Saving Strategies

- Wage freezes, 10% total compensation reductions, and rollback of 2010-2011 general wage increases for certain bargaining units
- Modifications to medical benefit plans and cost sharing
- Outsourced City services at lower cost
- Consolidated City operations & services
- Library Department implemented new technology to reduce staffing needs
- Police Department civilianized functions to lower costs
- Park Maintenance Services developed public-private partnerships to mitigate impacts of service reductions

Budget Balancing:

Revenue Strategies

■ Ballot Measures

- November 2008 – \$20.5 million by establishing Telephone Line Tax; replaced existing Emergency Communication System Support Fee to secure ongoing collection
- November 2008 – \$30.8 million by reducing and broadening the Telephone Utility Tax; restructured tax to ensure future collections
- June 2010 – \$3 million by increasing Cardroom Business Tax rate and increasing number of cardroom tables allowed
- November 2010 – \$2.5 million by establishing Marijuana Business Tax

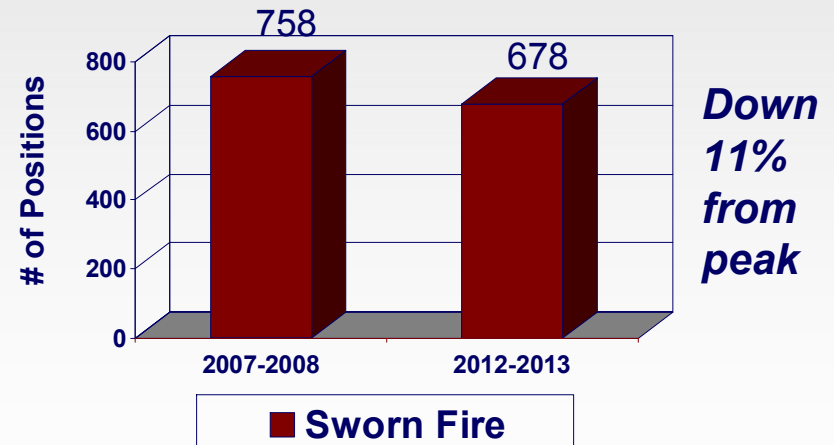
■ One-Time Revenue Sources

- Exhausted City's Economic Uncertainty Reserve – \$15.8 million in 2001-2002 spent down to zero as of 2011-2012
- Made maximum allowable transfers from other funds
- Used all revenue from legal settlements or property sales
- Steady hike of fees and charges

Budget Balancing:

Service Reductions/Eliminations

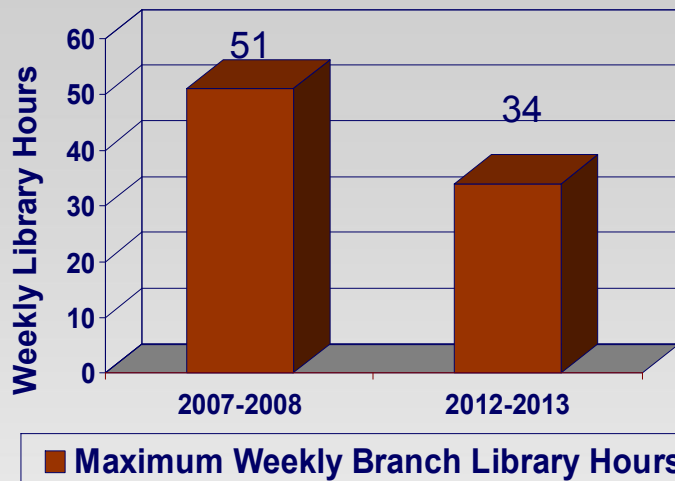
- Reduced police field patrol, special operations, and investigative services
- Eliminated police school liaison program
- Eliminated majority of crime prevention programs
- Reduced police horse mounted unit, PAB lobby hours/staff, police pre-processing center, performance analysis, research, and training
- Reduced police and fire staffing at the airport
- Eliminated 1 Fire Engine company and 1 Truck company
- Implemented fire company brown-outs
- Reduced fire apparatus staffing



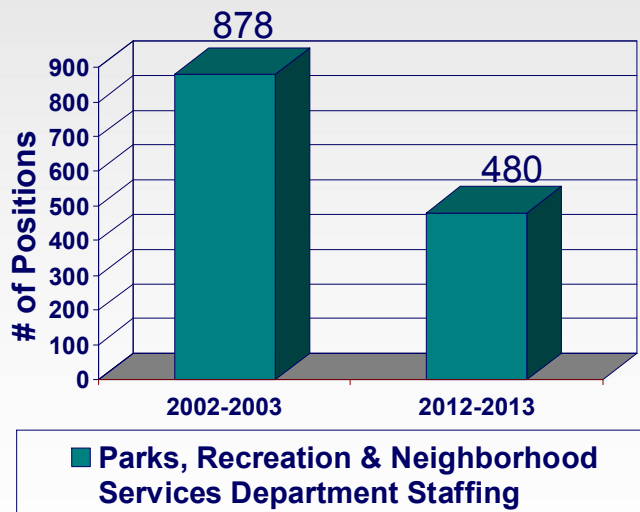
Budget Balancing:

Service Reductions/Eliminations

**Down
33%
from
peak**



**Down
45%
from
peak**

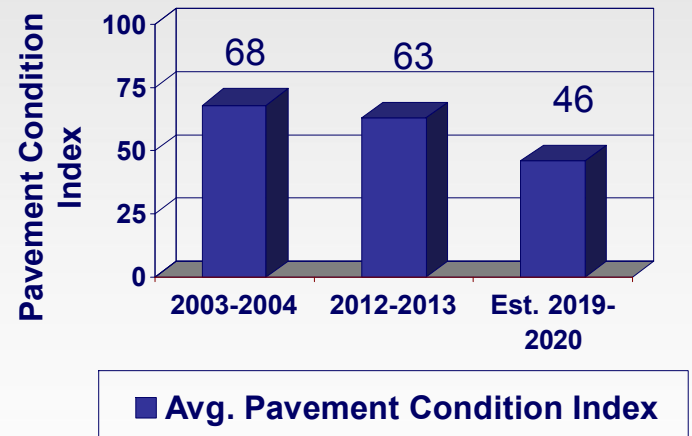
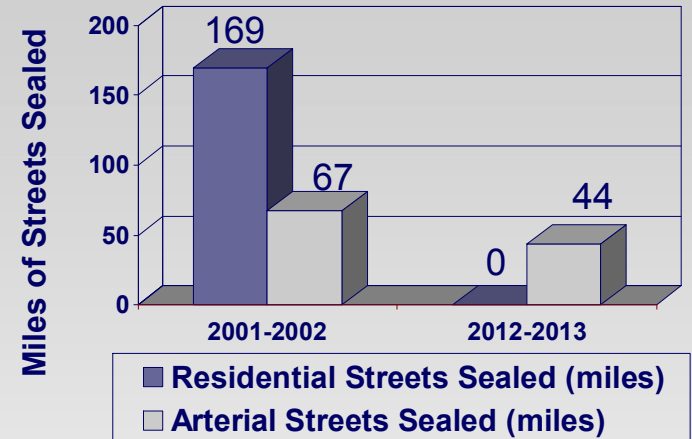


- Reduced branch library hours/days (from 47-51 hours/6-7 days per week to 33-34 hours/4 days per week)
- Reduced community centers (down from 56 at peak in 2007-2008 to 12 in 2012-2013); 42 sites in re-use program
- Reduced neighborhood park maintenance
- Reduced regional parks maintenance and park ranger staffing
- Reduced/eliminated recreational services and special events support
- Reduced/eliminated services to seniors, persons with disabilities, and youth
- Reduced code enforcement staffing
- Reduced Strong Neighborhoods Initiative (SNI) services
- Reduced long-range planning services

Budget Balancing:

Service Reductions/Eliminations

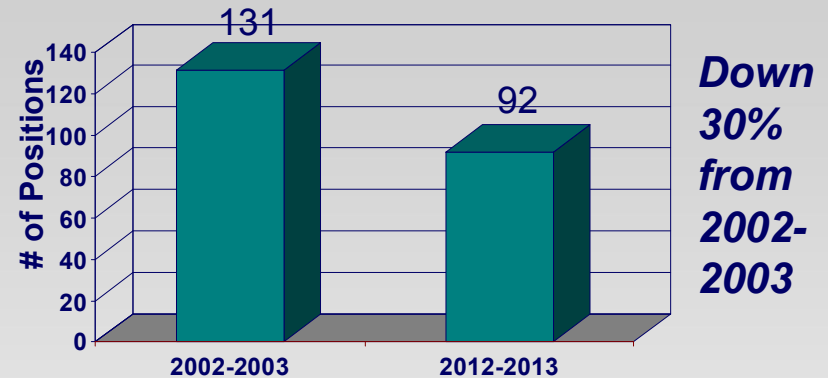
- Reduced traffic maintenance program (e.g., traffic signals, streetlights, traffic control and street name signs, and roadway striping and markings maintenance)
- Reduced pavement maintenance program (only Priority Street Network funding)
- Eliminated funding for sidewalk repairs and street tree services (property owners now responsible)
- Reduced street landscape services
- Reduced City facilities maintenance and fleet maintenance
- Reduced transportation operations services (e.g., traffic calming, neighborhood traffic studies, responses to speed compliance calls)



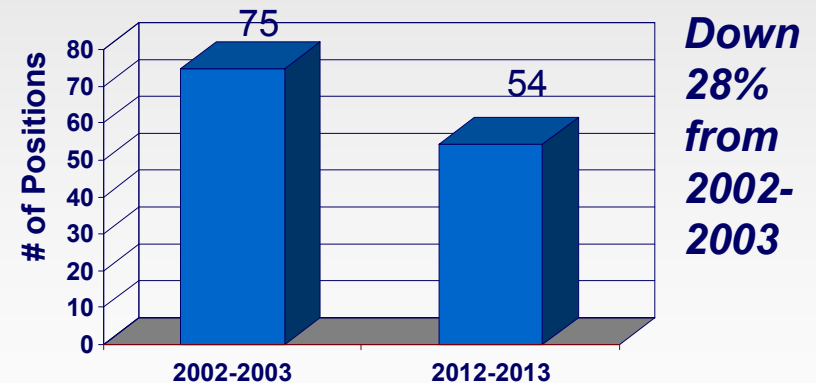
Budget Balancing:

Service Reductions/Eliminations

- Reduced financial reporting, financial management, and finance administrative staffing
- Reduced employment services, safety program, workers' compensation claims administration, and training and development
- Reduced city-wide technology coordination, information technology infrastructure support, and development services technology services
- Reduced organization-wide management, support, and leadership staffing



■ Information Technology Department Staffing



■ Human Resources Department Staffing

2014-2018 General Fund Forecast

2014-2018 General Fund Forecast Incremental General Fund Surplus/(Shortfall)¹

	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Incremental Surplus/(Shortfall)	(\$3.8 M)	(\$13.7 M)	\$2.0	(\$4.7 M)	(\$6.0 M)
% of Annual Budget	(0.21%)	(0.78%)	0.11%	(0.25%)	(0.31%)

- 1 Includes proposed Employee Compensation Reserve, as well as salary steps for eligible non-management employees and management performance pay, and anticipated savings from first-year implementation of some elements of the Fiscal Reform Plan and Measure B retirement changes approved by voters in June 2012. Does not include impacts associated with elements of the Fiscal Reform Plan/Measure B that are not yet implemented; tax increment funding for the Successor Agency to the Redevelopment Agency, a public entity, regarding the outcome of litigation with the County of Santa Clara related to the PERS and Water District levies; costs associated with fully funding the annual required contributions for police and fire retiree health care; costs associated with restoration of key services funded on a one-time basis in 2012-2013; costs associated with the restoration of key services to January 2011 levels; costs associated with unmet/deferred infrastructure and maintenance needs; or one-time revenues/expenses.
- 2 This figure excludes the Development Fee Programs and was revised from the \$5.5 million shortfall presented in the February 2013 Forecast as a result of the continued analysis and updating of projected revenues and expenditures. With a surplus of \$1.2 million in the Development Fee Programs, the net General Fund shortfall addressed in the 2013-2014 Proposed Budget totals \$2.6 million.

Examples of Reductions to Fund \$20 M Increase in Police Sworn Compensation

General Fund

• 25% of the Library Budget	\$ 6.5 M
• 25% of the Transportation Budget	\$ 6.7 M
• 10% of the PRNS Budget	\$ 5.2 M
• 50% of Economic Development Budget	<u>\$ 1.8 M</u>
Total	\$20.2 M

Examples of Reductions to Fund \$20 M Increase in Police Sworn Compensation

Est. General Fund Costs

• 25 Police Officers (Step 4)	\$ 4.3 M
• 2 Fire Companies	\$ 4.8 M
• 1 Day of Library Service (from 4 to 3)	\$ 2.1 M
• Reduce Hours at Community Centers (from avg. of 59 hours to 53 hours)	\$ 1.0 M
• Reduce Parks Maint. & Operations by 25%	<u>\$ 8.1 M</u>
Total	\$20.3 M